

California

1994

109

Forms & Instructions

Exempt Organization Business Income Tax Booklet

This booklet contains:

[Form 109](#), California Exempt Organization Business Income Tax Return

Members of the
Franchise Tax Board

Gray Davis, Chairman
Brad Sherman, Member
Russell Gould, Member



State of California
Franchise Tax Board

Instructions for Form 109

Exempt Organization Business Income Tax Return

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1993**, and to the California Revenue and Taxation Code (R&TC).

General Instructions

In general, California did not conform its law to changes made to the IRC by the federal Revenue Reconciliation Act of 1993 (Public Law 103-66). California legislation during 1994 did adopt specific provisions of the 1993 federal changes and these provisions are specifically identified when appropriate. All other references in these instructions are to the IRC as it existed on January 1, 1993.

A Purpose

A tax exempt organization that regularly carries on a trade or business that is not substantially related to its exempt purpose may be required to pay tax on the unrelated trade or business income that results from such activity. Use Form 109 to figure the tax on the unrelated business income of the organization.

Filing Form 109 does not replace the requirement to file Form 199, California Exempt Organization Annual Information Statement or Return.

Because state and federal laws are generally the same in this area, you should get federal Form 990-T and instructions for detailed information.

B Who Must File

Every organization exempt under R&TC Section 17631 or 23701a through 23701x must file Form 109 if the gross income from an unrelated trade or business is \$1,000 or more. See General Instruction P for the definition of an unrelated trade or business.

Exception

A tax exempt organization is not required to file Form 109 if:

- it is formed to carry out a function of the state;
- it is carrying out that function; and
- it is controlled by the state.

Exempt homeowners' associations and exempt political organizations that have a taxable income over \$100 must file Form 100, California Corporation Franchise or Income Tax Return.

C Accounting Period

File Form 109 for taxable or income years beginning in 1994. Fill in the taxable or income year information including the month, day and year in the spaces provided at the top of Side 1.

To change an accounting period, file federal Form 1128, Application for Change in Accounting Period, with the Internal Revenue Service, and file a copy of the federal approval with Form 109 in the year the change is effective.

D Accounting Method

Taxable income must be computed in accordance with the method of accounting regularly used by the organization in maintaining its books and records. The method must clearly reflect taxable income.

To change an accounting method, file federal Form 3115, Application for Change in Accounting Method, with the Internal Revenue Service, and file a copy of the federal approval with Form 109 in the year the change is effective.

Note: The amounts on Form 109 and accompanying schedules should be rounded off to the nearest whole dollar.

E Mailing Addresses

Mail returns that include a payment to:

Franchise Tax Board
P.O. Box 942857
Sacramento, CA 94257-0701

Mail refund returns or returns without a payment to:

Franchise Tax Board
P.O. Box 942857
Sacramento, CA 94257-0700

F When to File

Generally, Form 109 is due on or before the 15th day of the 5th month following the close of the income year. However, an employees' trust defined in IRC Section 401(a) and an IRA must file Form 109 by the 15th day of the 4th month after the end of the income year.

Official U.S. Post Office postmarks are considered primary evidence of the date of filing of income tax documents and payments. Postage meter dates are not considered proof of filing on the date shown.

If mail is received that does not bear a postmark assigned by the U.S. Post Office, timely filing is determined by reference to the date of receipt or other appropriate evidence.

G Extension of Time to File Return

If Form 109 cannot be filed by the due date, the exempt organization has an additional seven months to file without filing a written request for extension, unless the corporation is suspended as of the original due date. However, to avoid late payment penalties, 100 percent of the tax liability must be paid by the original due date of the return.

If an extension of time is needed, and an unpaid tax liability is owed, get form FTB 3539, Payment Voucher for Automatic Extension for Corporations and Exempt Organizations. Trusts use form FTB 3563, Payment Voucher for Automatic Extension for Fiduciaries.

If the return is not filed by the extended due date, a delinquent filing penalty is charged from the original due date of the return.

H Signature

Corporations and Associations

A corporate officer such as the president, vice president, treasurer, assistant treasurer, chief accounting officer or trustee must sign the return. In the case of an association, a similarly authorized person must sign the return.

Trusts

The individual fiduciary or authorized officer of the trust receiving or having custody or control and management of the income of the trust must sign the return. If two or more individuals act jointly as fiduciaries, the return may be signed by any one of them.

Note: A receiver, trustee or assignee must sign any return that must be filed on behalf of the organization.

I Name and Address

Use the preaddressed label if one was provided to you. If any information on the label is incorrect, draw a single line through it and enter the correct information.

If you did not receive a preaddressed label, copy the information exactly as shown on the preaddressed label received with Form 199 (if provided by the Franchise Tax Board), or use the exact name as shown on the exemption letter.

J Tax Rates

Corporations and Associations

The tax rate imposed on the unrelated business income of an incorporated exempt organization or association treated as a corporation is 9.3 percent.

Trusts

R&TC Section 23731(b) provides for taxation of trusts at the personal income tax rates imposed by R&TC Section 17041(e). See the Tax Rate Schedule on page 4.

K Payment of Tax

The tax due (total tax minus amounts previously paid) must be paid in full when Form 109 is filed, but not later than the 15th day of the 5th month after the close of the income year. Any credit payment should be claimed on the return and considered in computing the tax due with the return. For corporations and associations, see Form 100-ES instructions for information regarding how and when to pay estimated tax. For trusts, see Form 541-ES instructions for information regarding how and when to pay estimated tax.

Electronic Funds Transfer (EFT)

Corporations that meet certain requirements must remit all of their payments through EFT rather than by paper checks. Once a corporation remits an estimated tax payment or extension payment in excess of \$20,000 or has a total tax liability in excess of \$80,000 in any income year beginning on or after January 1, 1995, the Franchise Tax Board (FTB) will notify the corporation that all future payments must be made by EFT. Those that wish to participate on a voluntary basis may do so. For more information call 1-800-852-2753.

L Penalties and Interest

Late Filing of Return

Any organization that fails to file a return on or before the extended due date may be assessed a penalty. The penalty cannot exceed 25 percent of the unpaid tax. For trusts only, the minimum penalty for filing a tax return more than 60 days late is \$100 or 100 percent of the balance due, whichever is less.

Late Payment of Tax

Any organization that fails to pay the total tax shown on the return by the original due date is assessed a penalty of 5 percent of the unpaid tax, plus 0.5 percent for each month, or part of a month (not to exceed 40 months), the tax

remains unpaid. This penalty cannot exceed 25 percent of the unpaid tax.

Note: If a corporation is subject to both the penalty for failure to file a timely return and the penalty for failure to pay the total tax by the due date, a combination of the two penalties may be assessed, but the total will not exceed 25 percent of the unpaid tax.

Underpayment of Estimated Tax

Any corporation, unincorporated association, or trust that fails to pay or underpays an installment of estimated tax is assessed a penalty. The penalty is computed as a percentage of the underpayment for the underpayment period. Use form FTB 5806, Underpayment of Estimated Tax by Corporations, to determine both the amount of underpayment and the amount of penalty.

Note: If the organization uses Exception B, tax on annualized income, or Exception C, tax on annualized seasonal income, for any of the four installments, form FTB 5806 must be attached to the return.

Interest

Interest is due and payable on any tax due that is not paid by the original due date of the return. An extension of time to file a return does not stop interest from accruing.

M Net Operating Loss Deduction

California allows a net operating loss deduction which may be claimed on Side 1, line 4 or line 12. See form FTB 3805Q, Net Operating Loss Carryover and Disaster Loss Deduction – Corporations, or form FTB 3805V, Net Operating Loss Carryover and Disaster Loss Deduction – Individuals, Estates and Trusts, for additional information.

Organizations operating within an enterprise zone or program area, see form FTB 3805Z, Enterprise Zone and Program Area Business Booklet.

Organizations operating within the Los Angeles Revitalization Zone, see form FTB 3806, Los Angeles Revitalization Zone Booklet.

N Alternative Minimum Tax

California law is generally the same as federal law relating to alternative minimum tax. Trusts subject to alternative minimum tax must file Schedule P (541). Corporations subject to alternative minimum tax must file Schedule P (100).

O Income to Be Reported

Corporations and Associations

Report all income from an unrelated trade or business whether derived from sources within or outside California.

Business income attributable to sources both within and outside California is apportioned. See the instructions for Side 1, line 2 and the Apportionment Formula Worksheet.

Trusts

Report all income from an unrelated trade or business derived from sources within California. If income is derived from outside California and one or more trustees are nonresidents, the percentage of income that is applicable to the total number of resident trustees is reported.

At-Risk Provisions

For the rules limiting a loss to the amount at-risk for certain trade or business and production of income activities, see federal Form 6198, At-Risk Limitations.

Passive Activity Loss Limitation

For California purposes, the passive loss rules of IRC Section 469 apply to closely held corporations, S corporations, personal service corporations and trusts. Organizations subject to passive loss rules must complete form FTB 3801, Passive Activity Loss Limitations, or form FTB 3802, Corporate Passive Activity Loss and Credit Limitations, to figure their allowable passive activity loss.

An organization subject to the passive activity loss limitations may also be required to adjust credits attributable to passive activities on form FTB 3801-CR, Passive Activity Credit Limitations. If a passive activity is also subject to the at-risk rules of IRC Section 465, the at-risk rules apply before the passive loss rules apply.

P Unrelated Trade or Business

Unrelated trade or business is any regularly carried on trade or business that is not substantially related to the organization's exempt purpose or function or to exercising or performing any purpose or function described in R&TC Section 23701. An unrelated trade or business does not include:

- an activity where substantially all the work in carrying on the trade or business is performed by volunteers (without compensation);
- an activity that is carried on by a Section 23701d organization primarily for the convenience of its members, students, patients, officers, or employees;
- an activity that is carried on by a local association of employees described in Section 23701f, organized before May 27, 1969, such as selling work-related clothes, equipment, and items normally sold through vending machines, snack bars, etc., for the convenience of its members at their usual workplace; or
- selling merchandise that was donated to the organization.

For additional information, see IRC Section 513.

Unrelated Business Taxable Income

Unrelated business taxable income is the gross income derived from any regularly carried on unrelated trade or business less the deductions that are directly connected with the carrying on of the unrelated trade or business.

In the case of an organization that regularly conducts two or more unrelated business activities, unrelated business taxable income is the sum of gross income from all such unrelated business activities, less the sum of the deductions allowed with respect to all such unrelated business activities.

Expenses, depreciation and similar items that arise from conducting the exempt function are not deductible in computing unrelated business taxable income. However, expenses directly connected with unrelated business income are deductible (see Specific Line Instructions, Side 2, Part I and Part II, line 20, for the exception concerning contributions).

For additional information, see IRC Section 512.

Q Exclusions

Items excluded from unrelated business taxable income are:

1. Dividends, interest, annuities and deductions directly connected with such income. However, unrelated debt-financed income and income derived from controlled organizations

is taxable, whether or not the activities that produced such income represent a regularly carried on trade or business.

2. Royalties (including overriding royalties) and deductions directly connected with such income. Mineral royalties are excluded whether measured by production or by gross or taxable income from the mineral property. However, where the organization owns a working interest in a mineral property and is not relieved of its share of the development costs by the terms of any agreement with an operator, income received from the working interest cannot be excluded.

Note: Debt-financed royalty income is taxable whether or not the organization owns a working interest in the property.

3. Rents from real property (including elevators and escalators) and rents from personal property leased with such real property and deductions directly connected with such rents.

Rents attributable to personal property must be an incidental amount of the total rents received or accrued under the lease determined at the time when the property is first subject to use by the lessee. Rents attributable to personal property generally are not an incidental amount of the total rents if the rents attributable to personal property exceed 10 percent of the total rents from all the property leased. See federal Income Tax Regulation Section 1.512(b)-1(c)(3)(iii) regarding multiple leases. However, the exclusion will not apply if such rents are derived from a controlled organization or the property leased is debt-financed property.

If the rents are derived from the leasing of debt-financed property to a controlled organization, the taxation of rents is first considered under the controlling organization rules. Only the untaxed portion of rents is subject to the unrelated debt-financed income rules.

4. Gains or losses from the sale, exchange or other disposition of property, except:
 - a. stock in trade or other property that would be includable in inventory if on hand at the close of the taxable year;
 - b. property held primarily for sale to customers in the ordinary course of the trade or business, including the cutting of timber (see Specific Line Instructions, Side 2, Part I and Part II, lines 4a, 4b and 4c, for treatment of capital gains or ordinary losses); and
 - c. certain gains on debt-financed and depreciable property.
5. The income and deductions resulting from:
 - a. organizations performing research for the government;
 - b. a college, university or hospital performing research for any person; and
 - c. organizations operating primarily for fundamental research.

Exception

The exclusion rules described above do not apply to social and recreational clubs (R&TC Section 23701g) and voluntary employees' beneficiary associations (R&TC Section 23701i).

California law is the same as federal law for organizations described in IRC Section 501(c)(7) or 501(c)(9).

Controlled organization means either a:

- stock corporation – the ownership of stock possessing at least 80 percent of the total combined voting power of all classes of stock entitled to vote and at least 80 percent of the total number of shares of all other classes of stock of the corporation; or
- nonstock organization – an organization of which at least 80 percent of the directors or trustees of such organization are either representative of or are directly or indirectly controlled by an exempt organization.

R Exempt Function Income

Exempt function income is:

- the amount derived from dues, fees, charges or similar amounts of gross income from members;
- the amount (other than gross income derived from any unrelated trade or business that is regularly carried on) set aside for religious, charitable, scientific, literary, educational purposes or for the prevention of cruelty to children or animals; and

- in the case of an organization described in R&TC Section 23701i, the amount set aside for the payment of life, sick, accident or other benefits.

S Information Returns

Organizations engaged in an unrelated trade or business may be required to file an information return on federal Form 1099 for California residents or California Form 591 for nonresidents.

There are severe penalties for failure to file information returns or include correct payee identification numbers on the returns. Detailed filing instructions are available on California Form 592 and Form 596.

Salaries, wages or other compensation for personal services are reported on state copies of

Form W-2 and Form DE-43. These are to be filed with the Employment Development Department.

T Federal Form 990-T

Refer to the federal "Instructions for Form 990-T Schedule E" for further information regarding:

1. debt-financed property;
2. allocation rules for debt-financed property;
3. acquisition indebtedness;
4. average acquisition indebtedness;
5. average adjusted basis; and
6. adjusted basis of property.

For the special rules for holding companies (R&TC Section 23701h and Section 23701x and IRC Section 501(c)(2) and Section 501(c)(25)), see the federal Form 990-T General Instructions for Consolidated Returns.

1994 Tax Rate Schedule for Trusts IF THE TAXABLE INCOME IS . . .

OVER	BUT NOT OVER
\$ 0	\$ 4,722
4,722	11,192
11,192	17,662
17,662	24,519
24,519	30,987
30,987	107,464
107,464	214,929
214,929	AND OVER

COMPUTED TAX IS . . .

		OF AMOUNT OVER
\$ 0.00	PLUS	1.0% \$ 0
47.22	PLUS	2.0% 4,722
176.62	PLUS	4.0% 11,192
435.42	PLUS	6.0% 17,662
846.84	PLUS	8.0% 24,519
1,364.28	PLUS	9.3% 30,987
8,476.64	PLUS	10.0% 107,464
19,223.14	PLUS	11.0% 214,929

Specific Line Instructions

Side 1

Line 2 – Apportionment Formula

Business income of corporations and associations attributable to sources within and outside California is apportioned. Use the apportionment worksheet to determine the apportionment percentage. Retain the worksheet in your files.

Instructions for apportionment worksheet —

Line 1 – Property — Owned property is valued at its original cost. Rented property is valued as eight times its net annual rental.

Line 6 – Average Apportionment Percentage — Divide the total percentage on line 5 by the number of factors that have amounts in column (a) and column (b). Organizations that have all factors would have a denominator of four (property, payroll and twice the sales factor). However, do not include in the factor those factors with a zero in the totals of both column (a) and column (b).

Line 25 and Line 26 – Tax Due/Overpayment

Add to the amount of tax due or overpayment, as appropriate, the amount from Schedule K, line 4. See Schedule K Instructions for more information.

Line 29 – Penalties and Interest

Complete and attach form FTB 5806, Underpayment of Estimated Tax by Corporations, only if Exception B, tax on annual income, or Exception C, tax on annualized seasonal income, is used in computing the penalty.

Apportionment Formula Worksheet

Use only for unrelated trade or business amounts	(a) Total within and outside California	(b) Total within California	(c) Percent within California (b) ÷ (a)
1. Property: Use the average yearly value of owned and rented real and tangible personal property used in the business. See instructions .			
2. Payroll: Wages, salaries, and other compensation of employees			
3. Sales: Gross sales and/or receipts less returns and allowances			
4. Multiply line 3, column (c) by 2 .			
5. Total percentage. Add the percentages in column (c) line 1, line 2 and line 4.			
6. Average apportionment percentage. Divide line 5 by the number of factors and enter here and on Form 109, Side 1, line 2. See instructions .			

MONTH DAY YEAR	MONTH DAY YEAR
For taxable or income year beginning	and ending
1994,	

Attach Preaddressed Label or See Instructions		Is this organization claiming any enterprise zone, program area or Los Angeles Revitalization Zone tax benefits? . . . <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
California corporation or organization number	F.E.I.N.	Name and address of the trustee
Corporation/organization name		Nature of trade or business
Address		Social security or federal employer identification number (F.E.I.N.)
City, town, or post office	State ZIP Code	Form number(s) or federal form(s) filed

Organizations Taxable as Corporations

Attach Check or Money Order	1 Unrelated business taxable income from Side 2, Part II, line 30	●	1	
	2 Multiply line 1 by average apportionment percentage _____% from the Apportionment Formula Worksheet, line 6. See instructions	●	2	
	3 Enterprise zone, program area or Los Angeles Revitalization Zone losses	●	3	
	4 Net operating loss deduction from form FTB 3805Q	●	4	
	5 Add line 3 and line 4	●	5	
	6 Net unrelated business taxable income. Subtract line 5 from the lesser of line 1 or line 2	●	6	
	7 Tax. _____% x line 6. See General Instruction J	●	7	
	8 Tax credits from Schedule B, line 7, or Schedule P (100). See Schedule B instructions	●	8	
	9 Balance. Subtract line 8 from line 7. If line 8 is greater than line 7, enter -0-	●	9	

Organizations Taxable as Trusts

Tax Computation	10 Unrelated business taxable income from Side 2, Part II, line 30	●	10	
	11 Enterprise zone, program area or Los Angeles Revitalization Zone losses	●	11	
	12 Net operating loss deduction from form FTB 3805V	●	12	
	13 Add line 11 and line 12		13	
	14 Net unrelated business taxable income. Subtract line 13 from line 10	●	14	
	15 Tax on amount on line 14. See General Instruction J	●	15	
	16 Tax credits from Schedule B, line 7, or Schedule P (541). See Schedule B instructions	●	16	
17 Balance. Subtract line 16 from line 15. If line 16 is greater than line 15, enter -0-	●	17		
Total Tax	18 Tax from line 9 or line 17	■	18	
	19 Alternative minimum tax. See General Instruction N	■	19	
	20 Total tax. Add line 18 and line 19	■	20	
Payments	21 Overpayment from a prior year allowed as a credit	■	21	
	22 1994 estimated tax payments	■	22	
	23 Amount paid with automatic extension vouchers, FTB 3539 (corporations and exempt organizations) or FTB 3563 (fiduciaries)	■	23	
	24 Total payments and credits. Add lines 21 through 23	■	24	
Tax Due or Overpayment	25 Tax due. Subtract line 24 from line 20. Pay entire amount with return. See instructions	■	25	
	26 Overpayment. Subtract line 20 from line 24. See instructions	■	26	
	27 Enter amount of line 26 to be applied to 1995 estimated tax	■	27	
	28 Enter amount of line 26 to be refunded. Subtract line 27 from line 26	■	28	
	29 Penalties and interest. See General Instruction L	■	29	
	<input type="checkbox"/> Check box if estimate penalty was computed using Exception B or C and attach form FTB 5806.			
30 Total amount due. Add line 25 and line 19. Pay this amount with this return		30		

Person to contact for additional information: _____ Telephone () _____

Please Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.	
	<div style="display: flex; justify-content: space-between;"> <div> <div style="text-align: center;">▶ Signature of officer</div> <div style="text-align: center;">Date</div> </div> <div> <div style="text-align: center;">▶ Title</div> <div style="text-align: center;">Daytime telephone</div> </div> </div>	
Paid Preparer's Use Only	Preparer's signature ▶	Date
	Firm's name (or yours, if self-employed) and address ▶	Check if self-employed <input type="checkbox"/> F.E.I.N. Daytime telephone ()

Unrelated Business Taxable Income

Part I Unrelated Trade or Business Income

1	a Gross receipts or gross sales _____ b Less returns and allowances _____ Balance	1c		
2	Cost of goods sold and/or operations from Schedule A, line 7	2		
3	Gross profit. Subtract line 2 from line 1c	3		
4	a Capital gain net income. See Specific Line Instructions – Trusts attach Schedule D (541)	4a		
	b Net gain (loss) from Part II, federal Form 4797 (attached) – Trusts attach Schedule D-1	4b		
	c Capital loss deduction for trusts	4c		
5	Income (or loss) from partnerships. Attach Schedule K-1 (565) or similar schedule	5		
6	Rental income from Schedule C	6		
7	Unrelated debt-financed income from Schedule D	7		
8	Investment income of an R&TC Section 23701g, 23701i, 23701n or 23701q organization from Schedule E	8		
9	Annuities, interest, rents and royalties of controlled organizations from Schedule F	9		
10	Exploited exempt activity income from Schedule G	10		
11	Advertising income from Schedule H, Part III, Column A	11		
12	Other income. Attach schedule	12		
13	Total unrelated trade or business income. Add line 3 through line 12	13		

Part II Deductions Not Taken Elsewhere (Except for contributions, deductions must be directly connected with the unrelated business income.)

14	Compensation of officers, directors and trustees from Schedule I	14		
15	Salaries and wages	15		
16	Repairs	16		
17	Bad debts	17		
18	Interest. Attach schedule	18		
19	Taxes. Attach schedule	19		
20	Contributions. See instructions and attach schedule	20		
21	a Depreciation (Corporations and Associations – Schedule J) (Trusts – form FTB 3885F)	21a		
	b Less: depreciation claimed on Schedule A	21b		
22	Depletion. Attach schedule	22		
23	a Contributions to deferred compensation plans	23a		
	b Employee benefit programs. See instructions	23b		
24	Other deductions. Attach schedule	24		
25	Total deductions. Add line 14 through line 24	25		
26	Unrelated business taxable income before allowable excess advertising costs. Subtract line 25 from line 13	26		
27	Excess advertising costs from Schedule H, Part III, Column B	27		
28	Unrelated business taxable income before specific deduction. Subtract line 27 from line 26	28		
29	Specific deduction. See instructions	29		
30	Unrelated business taxable income. Subtract line 29 from line 28. If line 29 is greater than line 28, enter the lesser of line 28 or -0-	30		

Caution: No business expense deduction will be allowed to a taxpayer for expenses incurred at or payments made to a club which restricts membership or the use of its services or facilities on the basis of age, sex, race, religion, color, ancestry or national origin.

Schedule A Cost of Goods Sold and/or Operations Method of Inventory Valuation (specify) _____

1	Inventory at beginning of year	1		
2	Purchases	2		
3	Cost of labor	3		
4	a Additional IRC Section 263A costs. Attach schedule	4a		
	b Other costs. Attach schedule	4b		
5	Total. Add line 1 through line 4b	5		
6	Inventory at end of year	6		
7	Cost of goods sold and/or operations. Subtract line 6 from line 5. Enter here and on Part I, line 2	7		

Do the rules of IRC Section 263A (with respect to property produced or acquired for resale) apply to this organization? ☐ Yes ☐ No

Schedule B Tax Credits Do not complete if you must file Schedule P (100 or 541).

1	Enter credit name _____ code no. _____	1		
2	Enter credit name _____ code no. _____	2		
3	Enter credit name _____ code no. _____	3		
4	Enter credit name _____ code no. _____	4		
5	Enter credit name _____ code no. _____	5		
6	Enter credit name _____ code no. _____	6		
7	Total. Add line 1 through line 6. Enter here and on Side 1, line 8, for corporations, or line 16 for trusts	7		

Note: For rental income from debt-financed property, use Schedule D, R&TC Section 23701g and Section 23701i organizations. See instructions for exceptions.

1 Description of property	2 Rent received or accrued	3 Percentage of rent attributable to personal property
		%
		%
		%

4 Complete if any item in column 3 is more than 50%, or for any item if the rent is determined on the basis of profit or income

5 Complete if any item in column 3 is more than 10% but not more than 50%

(a) Deductions directly connected (attach schedule)	(b) Income includible (column 2 less column 4(a))	(a) Gross income reportable (column 2 x column 3)	(b) Deductions directly connected with personal property (attach schedule)	(c) Net income includible (column 5(a) less column 5(b))

Add columns 4(b) and 5(c). Enter here and on Side 2, Part I, line 6

1 Description of debt-financed property	2 Gross income from or allocable to debt-financed property	3 Deductions directly connected with or allocable to debt-financed property	
		(a) Straight line depreciation (attach schedule)	(b) Other deductions (attach schedule)

4 Amount of average acquisition indebtedness on or allocable to debt-financed property (attach schedule)	5 Average adjusted basis of or allocable to debt-financed property (attach schedule)	6 Debt basis percentage (column 4 ÷ column 5)	7 Gross income reportable (column 2 × column 6)	8 Allocable deductions (total of columns 3(a) and 3(b) × column 6)	9 Net income (or loss) includible (column 7 less column 8)
		%			
		%			
		%			

Total. Enter here and on Side 2, Part I, line 7

1 Description	2 Amount	3 Deductions directly connected (attach schedule)	4 Net investment income (column 2 less column 3)	5 Set-asides (attach schedule)	6 Balance of investment income (column 4 less column 5)

Total. Enter here and on Side 2, Part I, line 8

Enter gross income from members (dues, fees, charges or similar amounts)

1 Name and address of controlled organizations	2 Gross income from controlled organizations	3 Deductions directly connected with column 2 income (attach schedule)	4 Exempt controlled organizations		
			(a) Unrelated business taxable income	(b) Taxable income computed as though not exempt under Sec. 23701, or the amount in col. (a), whichever is greater	(c) Percentage (column (a) ÷ column (b))
					%
					%
					%

5 Nonexempt controlled organizations			6 Gross income reportable (column 2 × column 4(c) or column 5(c))	7 Allowable deductions (column 3 × column 4(c) or column 5(c))	8 Net income includible (column 6 less column 7)
(a) Excess taxable income	(b) Taxable income or amount in column (a), whichever is greater	(c) Percentage (col. (a) ÷ col. (b))			
		%			
		%			
		%			

Total. Enter here and on Side 2, Part I, line 9

1 Description of exploited activity (attach schedule if more than one unrelated activity is exploiting the same exempt activity)	2 Gross unrelated business income from trade or business	3 Expenses directly connected with production of unrelated business income	4 Net income from unrelated trade or business (col. 2 less col. 3)	5 Gross income from activity that is not unrelated business income	6 Expenses attributable to column 5	7 Excess exempt expense (col. 6 less col. 5 but not more than col. 4)	8 Net income includible (col. 4 less col. 7 but not less than zero)

Total. Enter here and on Side 2, Part I, line 10

Schedule H Advertising Income and Excess Advertising Costs

Part I Income from Periodicals Reported on a Consolidated Basis

1 Name of periodical	2 Gross advertising income	3 Direct advertising costs	4 Advertising income or excess advertising costs. If column 2 is greater than column 3, complete columns 5, 6 and 7. If column 3 is greater than column 2, enter the excess in Part III, Column B(b). Do not complete columns 5, 6 and 7.	5 Circulation income	6 Readership costs	7 If column 5 is greater than column 6, enter the income shown in column 4, in Part III, Column A(b). If column 6 is greater than column 5, subtract column 6 and column 3 from column 5 and column 2. Enter amount in Part III, Column A(b).
Totals						

Part II Income from Periodicals Reported on a Separate Basis

Part III Column A — Net Advertising Income

(a) Enter "consolidated periodical" and/or names of non-consolidated periodicals

(b) Enter total amount from Part I, column 4 or 7, and amounts listed in Part II, cols. 4 and 7

Enter total here and on Side 2, Part I, line 11

Part III Column B — Excess Advertising Costs

(a) Enter "consolidated periodical" and/or names of non-consolidated periodicals

(b) Enter total amount from Part I, column 4, and amounts listed in Part II, column 4

Enter total here and on Side 2, Part II, line 27

Schedule I Compensation of Officers, Directors, and Trustees

1 Name of Officer	2 Social Security Number	3 Title	4 Percent of time devoted to business	5 Compensation attributable to unrelated business	6 Expense account allowances
			%		
			%		
			%		
			%		

Total. Enter here and on Side 2, Part II, line 14

Schedule J Depreciation (Corporations and Associations only. Trusts use form FTB 3885F.)

1 Group and guideline class or description of property	2 Date acquired	3 Cost or other basis	4 Depreciation allowed or allowable in prior years	5 Method of computing depreciation	6 Life or rate	7 Depreciation for this year
1 Total additional first-year depreciation (do not include in items below)						
2 Other depreciation:						
Buildings						
Furniture and fixtures						
Transportation equipment						
Machinery and other equipment						
Other (specify) _____						

3 Other depreciation						
4 Total						
5 Amount of depreciation claimed elsewhere on return						
6 Balance. Subtract line 5 from line 4. Enter here and on Side 2, Part II, line 21a						

Schedule K Add-On Taxes or Recapture of Tax. See instructions.

1 Interest computation under the look-back method for completed long-term contracts. Attach form FTB 3834	
2 Interest on tax attributable to installment: (a) Sales of certain timeshares or residential lots	
(b) Method for non-dealer installment obligations	
3 Credit recapture. Credit name _____	
4 Total. Combine the amounts on lines 1 through 3. See instructions	

MONTH DAY YEAR	MONTH DAY YEAR
For taxable or income year beginning	and ending
1994,	

Attach Preaddressed Label or See Instructions		Is this organization claiming any enterprise zone, program area or Los Angeles Revitalization Zone tax benefits? . . . <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
California corporation or organization number	F.E.I.N.	Name and address of the trustee	
Corporation/organization name		Nature of trade or business	
Address		Social security or federal employer identification number (F.E.I.N.)	
City, town, or post office	State	ZIP Code	Form number(s) or federal form(s) filed

Organizations Taxable as Corporations

Attach Check or Money Order	1 Unrelated business taxable income from Side 2, Part II, line 30	●	1		
	2 Multiply line 1 by average apportionment percentage _____% from the Apportionment Formula Worksheet, line 6. See instructions	●	2		
	3 Enterprise zone, program area or Los Angeles Revitalization Zone losses	●	3		
	4 Net operating loss deduction from form FTB 3805Q	●	4		
	5 Add line 3 and line 4	●	5		
	6 Net unrelated business taxable income. Subtract line 5 from the lesser of line 1 or line 2	●	6		
	7 Tax. _____% x line 6. See General Instruction J	●	7		
	8 Tax credits from Schedule B, line 7, or Schedule P (100). See Schedule B instructions	●	8		
	9 Balance. Subtract line 8 from line 7. If line 8 is greater than line 7, enter -0-	●	9		

Organizations Taxable as Trusts

Tax Compu- tation	10 Unrelated business taxable income from Side 2, Part II, line 30	●	10		
	11 Enterprise zone, program area or Los Angeles Revitalization Zone losses	●	11		
	12 Net operating loss deduction from form FTB 3805V	●	12		
	13 Add line 11 and line 12		13		
	14 Net unrelated business taxable income. Subtract line 13 from line 10	●	14		
	15 Tax on amount on line 14. See General Instruction J	●	15		
	16 Tax credits from Schedule B, line 7, or Schedule P (541). See Schedule B instructions	●	16		
Total Tax	17 Balance. Subtract line 16 from line 15. If line 16 is greater than line 15, enter -0-	●	17		
	18 Tax from line 9 or line 17	■	18		
	19 Alternative minimum tax. See General Instruction N	■	19		
Payments	20 Total tax. Add line 18 and line 19	■	20		
	21 Overpayment from a prior year allowed as a credit	■	21		
	22 1994 estimated tax payments	■	22		
23 Amount paid with automatic extension vouchers, FTB 3539 (corporations and exempt organizations) or FTB 3563 (fiduciaries)	■	23			
Tax Due or Over- payment	24 Total payments and credits. Add lines 21 through 23	■	24		
	25 Tax due. Subtract line 24 from line 20. Pay entire amount with return. See instructions	■	25		
	26 Overpayment. Subtract line 20 from line 24. See instructions	■	26		
	27 Enter amount of line 26 to be applied to 1995 estimated tax	■	27		
	28 Enter amount of line 26 to be refunded. Subtract line 27 from line 26	■	28		
	29 Penalties and interest. See General Instruction L		29		
	<input type="checkbox"/> Check box if estimate penalty was computed using Exception B or C and attach form FTB 5806.				
	30 Total amount due. Add line 25 and line 19. Pay this amount with this return		30		

Person to contact for additional information: _____ Telephone () _____

Please Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
	<div style="display: flex; justify-content: space-between;"> <div>Signature of officer</div> <div>Date</div> </div>	<div style="display: flex; justify-content: space-between;"> <div>Title</div> <div>Daytime telephone</div> </div>		
Paid Preparer's Use Only	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN/FEIN
	Firm's name (or yours, if self-employed) and address		F.E.I.N.	Daytime telephone ()

Unrelated Business Taxable Income

Part I Unrelated Trade or Business Income

1	a Gross receipts or gross sales _____ b Less returns and allowances _____ Balance	1c		
2	Cost of goods sold and/or operations from Schedule A, line 7	2		
3	Gross profit. Subtract line 2 from line 1c	3		
4	a Capital gain net income. See Specific Line Instructions – Trusts attach Schedule D (541)	4a		
	b Net gain (loss) from Part II, federal Form 4797 (attached) – Trusts attach Schedule D-1	4b		
	c Capital loss deduction for trusts	4c		
5	Income (or loss) from partnerships. Attach Schedule K-1 (565) or similar schedule	5		
6	Rental income from Schedule C	6		
7	Unrelated debt-financed income from Schedule D	7		
8	Investment income of an R&TC Section 23701g, 23701i, 23701n or 23701q organization from Schedule E	8		
9	Annuities, interest, rents and royalties of controlled organizations from Schedule F	9		
10	Exploited exempt activity income from Schedule G	10		
11	Advertising income from Schedule H, Part III, Column A	11		
12	Other income. Attach schedule	12		
13	Total unrelated trade or business income. Add line 3 through line 12	13		

Part II Deductions Not Taken Elsewhere (Except for contributions, deductions must be directly connected with the unrelated business income.)

14	Compensation of officers, directors and trustees from Schedule I	14		
15	Salaries and wages	15		
16	Repairs	16		
17	Bad debts	17		
18	Interest. Attach schedule	18		
19	Taxes. Attach schedule	19		
20	Contributions. See instructions and attach schedule	20		
21	a Depreciation (Corporations and Associations – Schedule J) (Trusts – form FTB 3885F)	21a		
	b Less: depreciation claimed on Schedule A	21b		
22	Depletion. Attach schedule	22		
23	a Contributions to deferred compensation plans	23a		
	b Employee benefit programs. See instructions	23b		
24	Other deductions. Attach schedule	24		
25	Total deductions. Add line 14 through line 24	25		
26	Unrelated business taxable income before allowable excess advertising costs. Subtract line 25 from line 13	26		
27	Excess advertising costs from Schedule H, Part III, Column B	27		
28	Unrelated business taxable income before specific deduction. Subtract line 27 from line 26	28		
29	Specific deduction. See instructions	29		
30	Unrelated business taxable income. Subtract line 29 from line 28. If line 29 is greater than line 28, enter the lesser of line 28 or -0-	30		

Caution: No business expense deduction will be allowed to a taxpayer for expenses incurred at or payments made to a club which restricts membership or the use of its services or facilities on the basis of age, sex, race, religion, color, ancestry or national origin.

Schedule A Cost of Goods Sold and/or Operations Method of Inventory Valuation (specify) _____

1	Inventory at beginning of year	1		
2	Purchases	2		
3	Cost of labor	3		
4	a Additional IRC Section 263A costs. Attach schedule	4a		
	b Other costs. Attach schedule	4b		
5	Total. Add line 1 through line 4b	5		
6	Inventory at end of year	6		
7	Cost of goods sold and/or operations. Subtract line 6 from line 5. Enter here and on Part I, line 2	7		

Do the rules of IRC Section 263A (with respect to property produced or acquired for resale) apply to this organization? ☐ Yes ☐ No

Schedule B Tax Credits Do not complete if you must file Schedule P (100 or 541).

1	Enter credit name _____ code no. _____	1		
2	Enter credit name _____ code no. _____	2		
3	Enter credit name _____ code no. _____	3		
4	Enter credit name _____ code no. _____	4		
5	Enter credit name _____ code no. _____	5		
6	Enter credit name _____ code no. _____	6		
7	Total. Add line 1 through line 6. Enter here and on Side 1, line 8, for corporations, or line 16 for trusts	7		

Schedule C Rental Income from Real Property and Personal Property Leased with Real Property**Note:** For rental income from debt-financed property, use Schedule D, R&TC Section 23701g and Section 23701i organizations. See instructions for exceptions.

1 Description of property		2 Rent received or accrued	3 Percentage of rent attributable to personal property	
			%	
			%	
			%	
4 Complete if any item in column 3 is more than 50%, or for any item if the rent is determined on the basis of profit or income		5 Complete if any item in column 3 is more than 10% but not more than 50%		
(a) Deductions directly connected (attach schedule)	(b) Income includible (column 2 less column 4(a))	(a) Gross income reportable (column 2 x column 3)	(b) Deductions directly connected with personal property (attach schedule)	(c) Net income includible (column 5(a) less column 5(b))
Add columns 4(b) and 5(c). Enter here and on Side 2, Part I, line 6				

Schedule D Unrelated Debt-Financed Income

1 Description of debt-financed property		2 Gross income from or allocable to debt-financed property	3 Deductions directly connected with or allocable to debt-financed property		
			(a) Straight line depreciation (attach schedule)	(b) Other deductions (attach schedule)	
4 Amount of average acquisition indebtedness on or allocable to debt-financed property (attach schedule)	5 Average adjusted basis of or allocable to debt-financed property (attach schedule)	6 Debt basis percentage (column 4 ÷ column 5)	7 Gross income reportable (column 2 x column 6)	8 Allocable deductions (total of columns 3(a) and 3(b) x column 6)	9 Net income (or loss) includible (column 7 less column 8)
		%			
		%			
		%			
Total. Enter here and on Side 2, Part I, line 7					

Schedule E Investment Income of a Section 23701g, 23701i, 23701n or 23701q Organization

1 Description	2 Amount	3 Deductions directly connected (attach schedule)	4 Net investment income (column 2 less column 3)	5 Set-asides (attach schedule)	6 Balance of investment income (column 4 less column 5)
Total. Enter here and on Side 2, Part I, line 8					
Enter gross income from members (dues, fees, charges or similar amounts)					

Schedule F Income (Annuities, Interest, Rents and Royalties) From Controlled Organizations

1 Name and address of controlled organizations		2 Gross income from controlled organizations	3 Deductions directly connected with column 2 income (attach schedule)	4 Exempt controlled organizations		
				(a) Unrelated business taxable income	(b) Taxable income computed as though not exempt under Sec. 23701, or the amount in col. (a), whichever is greater	(c) Percentage (column (a) ÷ column (b))
						%
						%
						%
5 Nonexempt controlled organizations			6 Gross income reportable (column 2 x column 4(c) or column 5(c))	7 Allowable deductions (column 3 x column 4(c) or column 5(c))	8 Net income includible (column 6 less column 7)	
(a) Excess taxable income	(b) Taxable income or amount in column (a), whichever is greater	(c) Percentage (col. (a) ÷ col. (b))				
		%				
		%				
		%				
Total. Enter here and on Side 2, Part I, line 9						

Schedule G Exploited Exempt Activity Income, other than Advertising Income

1 Description of exploited activity (attach schedule if more than one unrelated activity is exploiting the same exempt activity)	2 Gross unrelated business income from trade or business	3 Expenses directly connected with production of unrelated business income	4 Net income from unrelated trade or business (col. 2 less col. 3)	5 Gross income from activity that is not unrelated business income	6 Expenses attributable to column 5	7 Excess exempt expense (col. 6 less col. 5 but not more than col. 4)	8 Net income includible (col. 4 less col. 7 but not less than zero)
Total. Enter here and on Side 2, Part I, line 10							

Schedule H Advertising Income and Excess Advertising Costs

Part I Income from Periodicals Reported on a Consolidated Basis

1 Name of periodical	2 Gross advertising income	3 Direct advertising costs	4 Advertising income or excess advertising costs. If column 2 is greater than column 3, complete columns 5, 6 and 7. If column 3 is greater than column 2, enter the excess in Part III, Column B(b). Do not complete columns 5, 6 and 7.	5 Circulation income	6 Readership costs	7 If column 5 is greater than column 6, enter the income shown in column 4, in Part III, Column A(b). If column 6 is greater than column 5, subtract column 6 and column 3 from column 5 and column 2. Enter amount in Part III, Column A(b).
Totals						

Part II Income from Periodicals Reported on a Separate Basis

Part III Column A — Net Advertising Income

(a) Enter "consolidated periodical" and/or names of non-consolidated periodicals

(b) Enter total amount from Part I, column 4 or 7, and amounts listed in Part II, cols. 4 and 7

Enter total here and on Side 2, Part I, line 11

Part III Column B — Excess Advertising Costs

(a) Enter "consolidated periodical" and/or names of non-consolidated periodicals

(b) Enter total amount from Part I, column 4, and amounts listed in Part II, column 4

Enter total here and on Side 2, Part II, line 27

Schedule I Compensation of Officers, Directors, and Trustees

1 Name of Officer	2 Social Security Number	3 Title	4 Percent of time devoted to business	5 Compensation attributable to unrelated business	6 Expense account allowances
			%		
			%		
			%		
			%		

Total. Enter here and on Side 2, Part II, line 14

Schedule J Depreciation (Corporations and Associations only. Trusts use form FTB 3885F.)

1 Group and guideline class or description of property	2 Date acquired	3 Cost or other basis	4 Depreciation allowed or allowable in prior years	5 Method of computing depreciation	6 Life or rate	7 Depreciation for this year
1 Total additional first-year depreciation (do not include in items below)						
2 Other depreciation:						
Buildings						
Furniture and fixtures						
Transportation equipment						
Machinery and other equipment						
Other (specify)						
3 Other depreciation						
4 Total						
5 Amount of depreciation claimed elsewhere on return						
6 Balance. Subtract line 5 from line 4. Enter here and on Side 2, Part II, line 21a						

Schedule K Add-On Taxes or Recapture of Tax. See instructions.

1 Interest computation under the look-back method for completed long-term contracts. Attach form FTB 3834	
2 Interest on tax attributable to installment: (a) Sales of certain timeshares or residential lots	
(b) Method for non-dealer installment obligations	
3 Credit recapture. Credit name	
4 Total. Combine the amounts on lines 1 through 3. See instructions	

Side 2

Part I and Part II – Unrelated Business Taxable Income

Line 1 – Gross Receipts or Sales

Enter the gross income from any trade or business regularly carried on that involves the sale of goods or performance of services. However, if the activity is a type includible in Schedules C through H, report it on the appropriate schedule and corresponding line of Part I, instead of on line 1. For example, an exempt social club would report its restaurant and bar receipts from non-members on line 1, but would report its investment income on Schedule E and on Part I, line 8.

Lines 4(a), 4(b), and 4(c) – Net gain or loss from the sale of capital assets and ordinary gains and losses

Corporations and Associations

California law requires recognition of capital gains and losses for corporations and associations. R&TC Section 24990 places these gains and losses into long-term and short-term categories. California has conformed to the federal law that limits the deduction of capital losses to the amount of capital gains and allows excess losses to be carried forward for five years. However, California does not allow loss carrybacks or the carryover of losses incurred in income years beginning prior to January 1, 1990.

The rules relating to debt-financed property do not apply to an R&TC Section 23701g or 23701i organization, and Schedule D (541) should be completed without regard to such rules. However, see IRC Section 512(a)(3) for nonrecognition of gain in certain cases.

Trusts

The computation of the **net capital gain** income reported on line 4(a) should be reported on Schedule D (541). Attach a copy of that schedule to your return.

The computation of **ordinary gains and losses** reported on line 4(b) should be reported on Schedule D-1. Attach a copy of that schedule to your return.

If a trust has a **net capital loss**, it is subject to the limitations in Schedule D (541). Enter on line 4(c) the loss figured on Schedule D (541).

Line 5 – Income (or Loss) from Partnerships

If the organization is a partner in a partnership carrying on an unrelated trade or business, enter the organization's share (whether or not distributed) of the partnership gross income and deductions from the unrelated trade or business. See federal Form 990-T, Specific Instructions for Part I, line 5, for information regarding the treatment of income from publicly traded partnerships.

Lines 14 – 25 – Deductions

Enter only the expenses for each item directly connected with unrelated trade or business activities and contribution deductions that may be deducted from related business income.

Caution: No deduction is allowed for expenses incurred at or payments made to a club which restricts membership or the use of its services or facilities on the basis of age, sex, race, religion, color, ancestry or national origin.

No expense reported on Schedule A or Schedules C through H is included in Part II, other than excess advertising costs entered on line 27. For

example, officers' compensation allocable to advertising income is reported on Schedule H only and is not entered on Part II, line 14.

Where the facilities or personnel are used both to carry on the exempt function and to conduct unrelated trade or business activities, cost of goods sold, depreciation and similar expenses attributable to such facilities or personnel (e.g., overhead) must be allocated between the two uses on a reasonable basis. Attach a schedule showing the allocation of the expenses between the two uses.

Line 20 – Contributions

Corporations and Associations

Enter charitable contributions or gifts actually paid within the income year to or for the use of charitable and governmental organizations described in R&TC Section 24357.

The amount claimed cannot exceed 5 percent of the unrelated business taxable income computed without regard to this deduction.

This deduction is allowed whether or not directly connected with the carrying on of a trade or business. A declaration, signed by an officer or other authorized person, must be attached to the return stating that the resolution authorizing the contribution was adopted by the board of directors or other governing body.

Trusts

Enter charitable contributions or gifts actually paid within the income year to or for the use of charitable and governmental organizations described in IRC Section 170. See the instructions for federal Form 990-T for limitations on amounts of contributions you may claim.

Attach a schedule showing the name of each organization and the amount paid. If a contribution is made in property other than money, state the kind of property contributed and the method used to determine its fair market value.

If a charitable contribution deduction is allowed by reason of a sale of property to a charitable organization, the adjusted basis for determining the gain from the sale is an amount that is in the same ratio to the adjusted basis as the amount realized is to the fair market value of the property. See IRC Section 1011(b).

Line 21a and Line 21b – Depreciation

Corporations and Associations

California law is generally the same as federal law with the exceptions noted below:

1. California has not adopted the federal Modified Accelerated Cost Recovery System (MACRS).
2. California prohibits the use of the 20 percent ADR ranges. Only the mid-range asset guideline period is allowed.
3. California allows the special additional first-year depreciation. (R&TC 24356, not IRC 179.)

Complete Schedule J and enter the amount on line 21a. Enter any depreciation claimed on Schedule A on line 21b.

Trusts

In 1987, California changed the rules for depreciation by conforming to the federal Modified Accelerated Cost Recovery System (MACRS). The California MACRS applies to assets placed in service on or after January 1, 1987.

Complete form FTB 3885F, Depreciation and Amortization, to figure the difference between state and federal depreciation. Enter the total

from form FTB 3885F, line 5, on Form 109, Part II, line 21a, and attach form FTB 3885F to Form 109.

Line 22 – Depletion

California law is the same as federal law.

If a deduction is claimed for timber, attach an explanatory statement.

Line 23(b) – Employee Benefit Programs

Enter the amount of your contributions to employee benefit programs that are not an incidental part of a deferred compensation plan included on line 23(a). Contributions to employee benefit programs that are reported on this line include contributions to insurance, health and welfare programs.

Line 29 – Specific Deduction

The law provides for a specific deduction of \$1,000 from unrelated business income. Only one specific deduction of \$1,000 is allowed regardless of the number of unrelated businesses. However, a diocese, province of a religious order or convention or association of churches is allowed one specific deduction for each parish, individual church district or other local unit that regularly conducts an unrelated trade or business. This applies only to such units that are not separate legal entities, but are components of a larger entity (diocese, province, convention, association, etc.). Each specific deduction is equal to the lesser of: (a) \$1,000; or (b) the gross income from any unrelated trade or business regularly carried on by the local unit.

Schedule B – Tax Credits

A variety of credits are available to exempt organizations to reduce tax on unrelated business income.

However, the amount of some credits that the organization may claim may be limited. Corporations and trusts must complete Schedule P (100 or 541), Alternative Minimum Tax and Credit Limitations, to compute this limitation. Generally, if the organization completed federal Form 4626 or 8656, Alternative Minimum Tax, it must complete Schedule P (100 or 541).

Credits not subject to this limitation are:

- solar energy credit carryover;
- commercial solar energy credit carryover;
- research credit; and
- low-income housing credit.

To figure credits, use the appropriate form or schedule as indicated below. Then complete either Side 2, Schedule B, or Schedule P (100 or 541), whichever is appropriate. Transfer the credits from Side 2, Schedule B, line 7, or from Schedule P (100 or 541) to:

- for corporations, Side 1, line 8; or
- for trusts, Side 1, line 16.

Attach the credit form, schedule or statement and Schedule P (100 or 541), if applicable, to Form 109.

Note: If the organization claims a credit carryover for an expired credit, use form FTB 3540, Credit Carryover Summary, to figure the amount of this credit, unless the organization is required to complete Schedule P. In that case, enter the amount of the credit on Schedule P (100 or 541), Section B and do not attach form FTB 3540.

If the organization claims a credit with carryover provisions and the amount of the credit available this year exceeds the tax, the organization may carry over any excess credit to next year until the credit is used.

The following credits are available:

Prison inmate labor credit

A credit is allowed equal to 10 percent of wages paid to prison inmates employed under an approved joint venture agreement. Use form FTB 3507, Prison Inmate Labor Credit, to figure this credit.

Low-emission vehicles credit

You may claim this credit only for the amount that was authorized by the California Energy Commission. The credit is only allowed on vehicles registered in California. To apply for certification, write to:

**California Energy Commission
1516 Ninth Street, MS 41
Sacramento, CA 95814**

Jobs credit

A credit is allowed to an employer that hires employees who have been certified by the Employment Development Department to meet the requirements of Section 328 of the Unemployment Insurance Code. Use form FTB 3524, Jobs Credit, to figure this credit.

Employer ridesharing credits

Employers who sponsor a ridesharing incentive program or provide subsidized public transit passes to their employees may claim these credits.

Use form FTB 3518, Employer Ridesharing Credits, to figure the amount of these credits. If you are not required to complete Schedule P, use form FTB 3540 to figure the carryover from prior years for the cost of sponsoring a ridesharing program for your employees, or for operating a private, third-party ridesharing program (under former R&TC Sections 17053, 17053.1, or 23605).

Enterprise zone or program area hiring/sales and use tax credit

Special credits and other incentives are allowed for qualified organizations located in designated economic incentive areas known as "enterprise zones" and "program areas." Credits available to exempt organizations operating in these areas are:

- hiring credit, which may be claimed for a portion of wages paid to qualified employees; and
- sales and use tax credit, which may be claimed for the sales or use tax paid to purchase qualified property.

Use form FTB 3805Z, Enterprise Zone/ Program Area Deduction and Credit Summary, to figure this credit. Be sure to check the "yes" box on Side 1 under the space for entering the taxable or income year ending of the return. If form FTB 3805Z is not attached, enterprise zone and program area benefits may be disallowed.

Los Angeles Revitalization Zone hiring/sales and use tax credit

Employers may claim a credit equal to a percentage of the wages paid to qualified individuals hired to work in the Los Angeles Revitalization Zone (LARZ). Business operators may claim a credit equal to the sales or use tax paid on the purchase of machinery and equipment for use in the LARZ. You must use form FTB 3806, Los Angeles Revitalization Zone Booklet, to figure the amount of this credit. Be sure to check the "yes" box on Side 1 under the space for entering the taxable or income year ending of the return. If form FTB 3806 is not attached, LARZ benefits may be disallowed.

Water conservation credit carryover (trusts only)

A trust may claim this credit for the costs of installing water conservation measures only if a carryover is available from prior years. If you are not required to complete Schedule P, use form FTB 3540 to figure this credit.

Solar pump credit carryover

An organization may claim this credit for the costs of installing a solar pump system only if a carryover is available from prior years. If you are not required to complete Schedule P, use form FTB 3540 to figure this credit.

Energy conservation credit carryover

An organization may claim this credit for the costs of installing energy conservation measures only if a carryover is available from prior years. If you are not required to complete Schedule P, use form FTB 3540 to figure this credit.

Residential rental and farm sales credit carryover (trusts only)

An organization may claim this credit for selling residential rental or farm property only if a carryover is available from prior years. If you are not required to complete Schedule P, use form FTB 3540 to figure this credit.

Employer child care program credit

Employers may claim a credit of 30 percent of the costs paid or incurred (not to exceed \$50,000) for establishing a child care program or constructing a child care facility for use primarily by their employees. The credit is also available to building owners that establish a child care program for their tenant's employees. Use form FTB 3501, Employer Child Care Program/Contribution Credit, to figure this credit.

Employer child care contribution credit

Employers may claim a credit of 50 percent of their contributions (not to exceed \$50,000) to a qualified child care plan made on behalf of any dependent under the age of 15 of the employer's California employee. Use form FTB 3501, Employer Child Care Program/Contribution Credit, to figure this credit.

Technological property contribution credit carryover (corporations only)

Corporations may claim this credit for contributions of technological property only if a carryover is available from prior years. If you are not required to complete Schedule P, use form FTB 3540 to figure this credit.

Contribution of computer software credit carryover (corporations only)

Corporations may claim this credit for contributions of computer software only if a carryover is available from prior years. If you are not required to complete Schedule P, use form FTB 3540 to figure this credit.

Recycling equipment credit

Organizations may claim a credit for purchasing qualified property used by the organization to manufacture products composed of secondary waste material. Use form FTB 3527, Recycling Equipment Credit, to figure this credit.

Agricultural products credit carryover

Organizations may claim a credit for donations of agricultural products to non-profit organizations only if a carryover is available from prior years. If you are not required to complete Schedule P, use form FTB 3540 to figure this credit.

Commercial solar energy credit carryover and solar energy credit carryover

Organizations may claim this credit for the cost of installing a commercial solar energy or solar energy system only if a carryover is available

from prior years. If you are not required to complete Schedule P, use form FTB 3540 to figure this credit.

Research credit

This credit is similar to the federal credit but is limited to costs for increasing research activities in California. Use form FTB 3523, Research Credit, to figure this credit.

Orphan drug credit

Organizations may claim a credit for clinical drug testing only if a carryover is available from prior years. If you are not required to complete Schedule P, use form FTB 3540 to figure this credit.

Low-income housing credit

This credit is available to organizations that undertake the development of low-income housing in California. Use form FTB 3521, Low-Income Housing Credit, to figure this credit.

Credit for prior year minimum tax

Corporations that paid alternative minimum tax (AMT) for 1993 or have a carryover of credit for prior year AMT and have no AMT liability for 1994 may use this credit in 1994. Use Part III of Schedule P(100), Alternative Minimum Tax and Credit Limitations - Corporations, to figure this credit. For trusts, use form FTB 3510, Credit for Prior Year Alternative Minimum Tax Individuals and Fiduciaries, to figure this credit.

Other state tax credit (trusts only)

In certain cases, a trust may claim as a credit its allocable portion of net income tax paid to another state or U.S. possession on income also taxed by California. Complete Schedule S, Other State Tax Credit, to figure this credit.

Note: No credit is allowed for income taxes paid to any city, the federal government or a foreign country. A copy of the other state tax return must be attached if a credit is claimed.

Side 3

Schedule C - Rental Income

Important Note: For rental income from debt-financed property, see Schedule D instructions. All organizations except those qualified under R&TC Sections 23701g and 23701i must enter net rental income from Schedule C on Side 2, Part I, line 6.

Organizations qualified under R&TC Sections 23701g and 23701i must include gross rents on Side 2, Part I, line 6 (other than income which is determined to be nonexempt function income) and applicable expenses on Side 2, Part II, line 14 through line 24.

Except in the case of an R&TC Section 23701g or 23701i organization, only the following rents are taxable:

1. Rents from personal property leased with real property, if the rents attributable to the personal property are more than 10 percent but not more than 50 percent of the total received or accrued under the lease. In such case, rents attributable to the real property are not taxable except as specified in the General Instructions and in 2 below.
2. All rents from real property and personal property, if:
 - a. more than 50 percent of the total rents received or accrued under the lease are attributable to personal property; or
 - b. the determination of the amount of the rents depends in whole or in part on the income or profits derived by any person from the property leased, other than an

amount based on a fixed percentage or percentages of receipts or sales.

See IRC Section 512(b)(3) requiring a redetermination of the percentage of rent attributable to personal property if:

1. there is an increase of 100 percent or more by reason of the placing of additional or substitute personal property in service; or
2. there is a modification of the lease by which there is a change in the rent charged.

Schedule D – Unrelated Debt-Financed Income

For taxable or income years beginning on or after January 1, 1990, California has conformed to federal law relating to the treatment of certain partnership allocations for property acquired by the partnership and partnership interests acquired after October 13, 1987.

To complete Schedule D, see the federal instructions for Form 990-T, Exempt Organization Business Income Tax Return, Schedule E. Use California amounts where there are California and federal differences.

Schedule E – Investment Income of an R&TC Section 23701g or 23701i Organization

Investment income includes all income from debt-financed property whether or not such income is subject to taxation under R&TC Section 23735. However, an R&TC Section 23701g or 23701i organization may set aside income to the extent that it would not be taxable on such income if it were an organization subject to the rules contained in IRC Section 512(a)(1). If income is set aside, attach a schedule showing the computations.

Income and deductions, other than in connection with investment income, is reported in Parts I and II. For example, nonmember income of an R&TC Section 23701g organization from the use of the club's facilities by the public must be reported on Side 2, Part I, lines 1, 2 and 3, and the deductions (directly connected) in Part II, line 14 through line 24. (Organizations described in R&TC Section 23701g, see federal Rev. Proc. 71-17 for certain rules relating to nonmember income.)

Schedule F – Income (Annuities, Interest, Rents, and Royalties) from Controlled Organizations

Controlling organizations: See General Instruction Q.

Enter the total annuities, interest, rent and royalties derived from each controlled organization

during the year in Schedule F, column 2. Enter the total deductions directly connected with this income for each controlled organization in column 3.

a. Exempt Controlled Organizations

If the controlled organization is exempt from taxation under R&TC Section 23701, the controlling organization must take into account a percentage of the interest, annuities, royalties and rents. Compute this percentage by figuring the ratio of the unrelated business taxable income of the controlled organization to whichever is the greater:

1. the taxable income of the controlled organization (computed as though it was not exempt from taxation under R&TC Section 23701); or
2. its unrelated business income.

Determine both 1 and 2 without regard to any amount paid directly or indirectly to the controlling organization.

b. Nonexempt Controlled Organizations

If the controlled organization is not exempt from taxation under R&TC Section 23701, the controlling organization must take into account a percentage of the interest, annuities, royalties and rents computed by figuring the ratio of the "excess taxable income" (defined below) of the controlled organization to whichever is the greater:

1. the taxable income of the controlled organization; or
2. its excess taxable income.

Determine both 1 and 2 without regard to any amount paid directly or indirectly to the controlling organization.

"Excess taxable income" means the portion of the controlled organization's taxable income that exceeds the amount of taxable income that, if derived directly by the controlling organization, is not unrelated business taxable income.

Schedule G – Exploited Exempt Activity Income

Generally, California law is the same as federal law.

Side 4

Schedule H – Advertising Income

Generally, California law is the same as federal law.

Schedule K – Add-On or Recapture of Tax Credits

If you are required to include installment payments of "add-on" taxes from:

- Interest computed under the look-back method for completed long-term contracts; or
- Interest on tax attributable to installment sales of certain property or use of the installment method for non-dealer installment obligations, or have credit amounts to recapture; complete Schedule K.

Enter the amount of tax due or overpayment from Schedule K, line 4, on Form 109, line 25 or line 26, as appropriate.

Long-term contracts

If the organization must compute interest under the look-back method for completed long-term contracts, complete and attach form FTB 3834, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts. Include the amount of interest the organization owes or the amount of interest to be credited or refunded on Schedule K, line 1. Attach form FTB 3834 to Form 109.

Interest on tax attributable to payments received on installment sales of certain timeshares and residential lots

If the organization elected to pay interest on the amount of tax attributable to payments received on installment obligations arising from the disposition of certain timeshares and residential lots under IRC Section 453, it must include the interest on Schedule K, line 2(a). For the applicable interest rates, get FTB Pub. 1138, Bank and Corporation Billing Information — Interest Rates. Attach a schedule showing the computation. See R&TC Sections 17560(d) and 24667(e).

Interest on tax deferred under the installment method for certain nondealer installment obligations

If an obligation arising from the disposition of property to which IRC Section 453A applies is outstanding at the close of the year, the organization must include the interest due under IRC Section 453A on Schedule K, line 2(b). For the applicable interest rate, get FTB Pub. 1138, Bank and Corporation Billing Information. Attach a Schedule showing the computation. See R&TC Sections 17560(e) and 24667(f).

Credit recapture

If the organization completed the credit recapture portion of:

- FTB 3501, Employer Child Care Program/Contribution Credit;
- FTB 3518, Employer Ridesharing Credits;
- FTB 3805Z, Hiring Credit – Enterprise Zone and Program Areas; or
- FTB 3806, Hiring Credit – Los Angeles Revitalization Zone; or
- FTB 3806, Sales and Use Tax – Los Angeles Revitalization Zone;

complete Schedule K, line 3.

F.A.S.T. Toll-Free Phone Service

Fast Answers about State Taxes is the F.A.S.T. toll-free phone service you can use to get recorded answers to many of your questions about California taxes. You can also order California tax forms by calling the F.A.S.T. number.

F.A.S.T. is available in English and Spanish to callers with touch tone or rotary dial telephones.

When Is F.A.S.T. Available?

To answer your questions, F.A.S.T. is available 24 hours a day, seven days a week. To order forms or to find out about your tax refund, F.A.S.T. is available from 6:00 a.m. to 10:00 p.m. seven days a week, except state holidays.

How To Use F.A.S.T.

1. Have paper and pencil handy to take notes.
2. Call the F.A.S.T. number:

From within the United States	1-800-338-0505
From outside the United States (not toll-free)	1-916-845-6600
3. Follow the recorded instructions.

To Get Information — If you need an answer to any of the following questions, enter the correct code after you reach the F.A.S.T. number:

Code — Prefiling Assistance

- 715 — If my actual tax is less than the minimum franchise tax, what figure do I put on line 22 of Form 100?
- 717 — What are the tax rates for corporations?
- 718 — How do I get an extension of time to file?
- 722 — When do I have to file a short-period return?
- 730 — May I claim net operating losses in the first year?
- 731 — Are corporations allowed to use MACRS/ACRS or Section 179 expensing?
- 733 — Can the prepayment to the Secretary of State be applied to my last year of business?
- 734 — What is the difference between franchise tax and income tax?

S Corporations

- 704 — Is an S corporation subject to the minimum franchise tax?
- 705 — Are S corporations required to file estimate payments?
- 706 — What forms do S corporations file?
- 707 — The tax for my S corporation is less than the minimum franchise tax. What figure do I put on line 21 of Form 100S?
- 708 — Where do S corporations make the state tax adjustment on Schedule K-1(100S)?

Exempt Organizations

- 709 — How do I get tax-exempt status?
- 710 — Does an exempt organization have to file Form 199?
- 735 — How can an exempt organization incorporate without paying corporation fees and costs?
- 736 — I have exempt status. Do I need to file Form 100 or Form 109 in addition to Form 199?

Minimum Tax and Estimate Tax

- 711 — Why can't I claim my prepayment tax as a credit or estimate payment on my return?
- 712 — What is the minimum franchise tax?
- 714 — I'm not doing business; do I have to pay the minimum franchise tax?
- 716 — When are my estimate payments due?

Billings and Miscellaneous Notices

- 713 — Why do I have an additional \$200 adjustment on my corporation return?
- 723 — I received a bill for \$250. What is this for?

- 728 — Why was my corporation suspended?
 - 729 — Why is my subsidiary getting a request for a return when we file a combined report?
- ### Tax Clearance
- 724 — How do I dissolve my corporation?
 - 725 — What do I have to do to get a tax clearance?
 - 726 — How long will it take to get a tax clearance certificate?
 - 727 — My corporation was suspended/forfeited. Can I still get a tax clearance?
- ### Miscellaneous
- 700 — Who do I need to contact to start a business?
 - 701 — I need a state ID number for my business. Who do I contact?
 - 702 — Can you send me an employer's tax guide?
 - 703 — How do I incorporate?
 - 719 — How do I properly identify my corporation when dealing with the Franchise Tax Board?
 - 720 — How do I change my corporation name?
 - 721 — How do I change my accounting period?
 - 732 — What is the Water's-Edge Election?
 - 737 — Where do I send my payment?
 - 738 — What is electronic funds transfer?
 - 739 — How do I get a copy of my state corporate tax return?

Regular Toll-Free Phone Service

Our regular toll-free telephone service is available from 7:00 a.m. until 8:00 p.m. Monday through Friday from January 3 through April 17, 1995. The best times to call are between 7:00 and 10:00 in the morning and between 6:00 and 8:00 in the evening. Service is also available on Saturdays, April 8 and April 15, from 8:00 a.m. until 5:00 p.m. After April 17, service is available Monday through Friday, between 8:00 a.m. and 5:00 p.m.

From within the United States, call 1-800-852-5711
 From outside the United States, call (not toll-free) 1-916-845-6500
 For federal tax questions, call the IRS at 1-800-829-1040.

Hearing Impaired

Toll-free phone service is provided for the hearing impaired with a Telecommunications Device (TDD). Call 1-800-822-6268. The Franchise Tax Board will also accept calls for, and relay messages to, any California state agency.

Tax Forms

In person — You can get California tax forms at the Franchise Tax Board district offices listed to the right. Many libraries and some quick print businesses have forms for you to photocopy (you may have to pay a nominal fee). Note that employees at libraries and quick print businesses cannot provide tax information or assistance.

By phone — Call our toll-free phone number listed under "Regular Toll-Free Phone Service" to get the California tax forms you need.

By mail — We will send you two copies of each tax form and one copy of each set of instructions you order. Please allow two weeks to receive your order.

Address your envelope to:

**Franchise Tax Board
 Tax Forms Request Unit
 P.O. Box 307
 Rancho Cordova, CA 95741-0307**

In Person

Addresses of Franchise Tax Board district offices are shown below. You can get information, California tax forms, and you can resolve problems on your account. Our district offices are open Monday through Friday from 8:00 a.m. to 5:00 p.m.

California Offices

Bakersfield	1430 Truxtun Avenue
Burbank	333 North Glenoaks Boulevard
Fresno	2550 Mariposa Street
Long Beach	245 West Broadway
Los Angeles	300 South Spring Street
Oakland	1970 Broadway
Sacramento	8745 Folsom Boulevard
San Bernardino	215 North D Street
San Diego	5353 Mission Center Road
San Francisco	Office to be relocated*
San Jose	96 North Third Street
Santa Ana	600 West Santa Ana Boulevard
Santa Barbara	360 South Hope Avenue
Santa Rosa	50 D Street
Stockton	31 East Channel Street
West Covina	100 North Barranca Street

Out of State Offices

Chicago, Illinois	One North Franklin
Houston, Texas	1415 Louisiana, Suite 1515
Manhasset, New York	1129 Northern Blvd.
New York, NY	1212 Avenue of the Americas

* For address information, call our F.A.S.T. toll-free number at 1-800-338-0505 (enter code 214 after you reach the number).

Letters

We can serve you quickly if you call us or visit a district office for information to complete your California tax return. However, you may want to write to us if you are replying to a notice we sent you, or to get a reply in writing.

If you write to us, be sure to include the California corporation number or FEIN and your daytime and evening telephone numbers in your letter. Send your letter to:

**Franchise Tax Board
 P.O. Box 942857
 Sacramento, CA 94257-0540.**

We will acknowledge receipt of your letter within six to eight weeks. In some cases we may need to call you for additional information.

Your Rights As A Taxpayer

Our goal at the Franchise Tax Board is to make certain that your rights are protected, so that you will have the highest confidence in the integrity, efficiency and fairness of our state tax system. FTB Pub. 4058, California Taxpayers' Bill of Rights, includes information on your rights as a California taxpayer, the Taxpayers' Rights Advocate Program and how you can request written advice from the Franchise Tax Board on whether a particular transaction is taxable. You can order FTB Pub. 4058 by writing or calling the Franchise Tax Board using the address or telephone numbers listed on this page.